

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 INT-08 EB-11 COME-00 OMB-01 TRSE-00

CIEP-02 CEA-02 AID-20 XMB-07 SS-20 NSC-07 L-03

CIAE-00 INR-10 NSAE-00 RSC-01 PRS-01 OPIC-12 SIL-01

LAB-06 H-03 USIA-15 DRC-01 /152 W

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R 021150Z JUL 74

FM AMEMBASSY GEORGETOWN

TO SECSTATE WASHDC 9930

INFO AMEMBASSY KINGSTON

AMEMBASSY PORT OF SPAIN

C O N F I D E N T I A L GEORGETOWN 1098

E.O. 11652: GDS

TAGS: EMIN, GY

SUBJECT: REYNOLDS METALS PAYING BUT APPEALING RETROACTIVE INCOME TAX
CHARGE

1. LOCAL REYNOLDS GUYANA MINES EXECUTIVE TOLD CHARGE' DURING
COURSE OF LATTER'S VISIT THAT GOG HAS PRESENTED COMPANY WITH
RETROACTIVE INCOME TAX BILL OF SEVERAL MILLION GUYANESE DOLLARS
ABOVE WHAT COMPANY CONSIDERS ITS LEGALLY REQUIRED PAYMENT. . (SEE
ALSO TDFIRD13 315/06163-74). SOURCE WAS UNWILLING OR UNABLE
SPECIFY EXACT SUM. TAX BILL IS BASED ON A SELLING
PRICE FOR BAUXITE HIGHER THAN THAT WHICH THE COMPANY HAS REPORTED,
AND MUST BE PAID WITHIN THIRTY DAYS OF PRESENTATION. HIGHER
SELLING PRICE WOULD GIVE COMPANY GREATER PROFITS, THEREFORE
GREATER TAX LIABILITY. REYNOLDS OFFICIAL CLAIMS HE DOES NOT RPT
NOT KNOW HOW GOG DETERMINED ALLEGED JUST SELLING PRICE AND CLAIMS
IT DOES NOT RELFECT ACTUAL MARKET PRICES ANYWHERE SINCE GOG'S
VERSION OF SELLING PRICE IS UNCHANGING OVER A CONSIDERABLE PERIOD
OF TIME.

2. COMPANY HAS DECIDED TO APPEAL THROUGH JUDICIAL SYSTEM, BUT
IN ORDER TO DO SO MUST FIRST PAY FULL AMOUNT OF TAX. (CONSTITU-
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TIONALITY OF REQUIREMENT FOR FULL PAYMENT PRIOR TO JUDICIAL

APPEAL NOW BEING TESTED IN UNRELATED SUIT BY ANOTHER PARTY).
COMPANY INTENDS PAY WITHIN NEXT TWO WEEKS, BUT HOPES TO EVENTUALLY
WIN CASE. IN MEANTIME GOG WILL HAVE USE OF DISPUTED MONEY TO HELP
MEET PRESENT FINANCIAL CRISIS.

3. REYNOLDS EXECUTIVE ADMITTED THAT OPERATION STILL PROFITABLE
EVEN INCLUDING RETROACTIVE TAX PAYMENT. STATED PRODUCTION IS UP
CONSIDERABLY OVER LAST YEAR, AND SHOULD REACH 930,000 TONS IN CY 74.

4. COMPANY HAS AGREED TO GOG DEMAND THAT PENSION FUNDS BE KEPT
IN GUYANA BUT NOT RETROACTIVELY. 40 PERCENT OF MONTHLY
PENSION FUND PAYMENT IS NOW BEING USED TO PURCHASE GOG BONDS,
WHILE 60 PERCENT IS PLACED IN SPECIAL ACCOUNT IN ROYAL BANK OF
CANADA.

5. THOUGH SOURCE CLAIMED THAT PLANT IS NOT BEING RUNDOWN,
HE COMMENTED THAT REYNOLDS (U.S.) WAS NOT ALLOWING HIM TO
IMPORT NEW MACHINERY WHICH HE WANTED.

6. COMMENT: WHILE REYNOLDS EXECUTIVE DID NOT SPECULATE WHY
GOG HAS SLAPPED COMPANY WITH HIGHER TAX BILL, IT PROBABLY RESULT
OF PRESSING GOG NEED FOR CURRENT REVENUE, AND POSSIBLY A MOVE,
ALBEIT FAR SMALLER, A LA MANELY. MATTHEWS

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